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ALABAMA Business & ECONOMIC INDICATORS

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Unemployment Rates and Recessions

Recent events in the Middle East have raised the probability of a recession in 1990. Each month new statistical data (slowing retail trade, GNP growth, and industrial production) are added to existing evidence of a weakening national economy. Yet the nation's unemployment rate of 5.3 percent continues to suggest some strength. While the unemployment rate may have been a reasonable coincident indicator of recessions in the past, have fundamental changes in the economy made the unemployment rate a less reliable indicator of economic conditions today?

Lessons from the Past

The two most recent U.S. recessions occurred in 1980-81 and 1982. In these two recessions, the national unemployment rate reached 7.6 and 9.7 percent respectively. The Alabama unemployment rate climbed to 10.6 percent in 1981 and 14.4 percent in 1982, 3.0 and 4.7 percentage points higher than the national rate. From 1980 through 1989, the State's unemployment rate averaged 2.7 percentage points above the national average. In 1989 the national unemployment rate averaged 5.3 percent, while the Alabama rate averaged 7.6 percent, 2.3 percentage points higher than the national average.

These persistent differences in unemployment rates can be explained by differences in the economic structures of Alabama and the nation. Alabama has a larger share of employment in the manufacturing sector, a sector that is far more sensitive to interest rates and thus, more volatile over the business cycle. This greater dependence on manufacturing raises Alabama's unemployment rate and produces wider swings than occur at the national level. However, as the structural differences between Alabama and the United States narrow, the unemployment rate differentials can be expected to narrow as well.

Unemployment During a Future Recession

Three key factors suggest that a national recession will not impact future Alabama unemployment rates as dramatically as in the past. The first point is that many of Alabama's manufacturing firms undertook modernization programs following the last recession (1982). These investments were probably driven by the need to be more competitive, but have the side effect of making these firms less sensitive (by being more productive) to cyclical factors. Such firms are less likely to lay off a productive labor force as a policy tool for balancing the books, especially when a recession is projected to be a mild one.

The second important factor, which will help to moderate any rise in the unemployment rate is a slowing in the growth of the nation's labor force. Labor shortages are likely to encourage firms to retain existing workers even when orders begin to fall off, since replacing and retraining workers may be more costly than retaining them.

Finally, the United States and Alabama economies have been restructuring away from a dependence upon durable goods manufacturing. The service sector, which is the fastest growing employment sector, tends to be more stable over the business cycle.

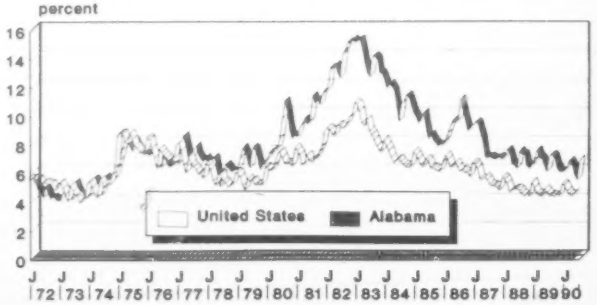
Caution Is the Best Strategy

These forces all suggest that unemployment rates are not likely to rise as quickly or to as high a level as they have in the past should a recession occur. But they also suggest that the unemployment rate may not be as good an indicator of economic stress as it has been in the past.

Unemployment rates of 14 percent experienced in 1982 are not likely to be repeated. Recent signals suggest that other economic indicators should be included with the unemployment rate when monitoring the state of the economy.

William D. Gunther

Alabama vs. United States Unemployment Rate



	TAXABLE RETAIL SALES (in thousands of current dollars)				LABOR FORCE		
	May 1990[p]	Apr 1990[r]	Apr 1989	Percent Change Apr 90-Apr 89	Civilian Labor Force May 1990	Unemployment Rate May 90	Apr 90
Alabama, State of	2,008,219	2,011,168	1,925,706	4.4	1,916,900	5.9	6.3
MSAs							
Anniston	51,841	52,986	50,022	5.9	51,640	6.7	6.8
Birmingham	487,732	494,303	483,231	2.3	443,860	4.8	5.1
Decatur	55,992	55,109	56,348	-2.2	61,230	6.0	6.7
Dothan	66,393	69,143	66,477	4.0	60,030	5.1	5.4
Florence	72,382	70,073	71,326	-1.8	61,980	6.0	6.2
Gadsden	44,285	45,102	45,438	-0.7	42,910	9.2	9.7
Huntsville	132,658	128,067	126,432	1.3	134,600	4.0	4.5
Mobile	220,764	229,896	216,885	6.0	211,170	6.1	6.8
Montgomery	166,936	168,714	165,859	1.7	140,990	5.9	5.9
Tuscaloosa	74,183	70,730	63,028	12.2	74,410	4.9	4.3
Counties							
Autauga	15,029	14,934	14,620	2.1	16,450	6.3	6.7
Baldwin	47,201	46,831	43,702	7.2	40,240	4.5	5.3
Barbour	8,104	7,332	7,910	-7.3	12,810	6.8	7.3
Bibb	4,116	4,124	3,868	6.6	7,270	5.0	5.6
Blount	10,454	10,434	9,625	8.4	17,050	5.7	6.5
Bullock	1,815	1,933	1,800	7.4	4,190	8.9	10.3
Butler	5,144	5,531	5,033	9.9	8,270	10.9	12.6
Calhoun	51,841	52,986	50,022	5.9	51,640	6.7	6.8
Chambers	11,992	11,624	11,297	2.9	16,770	7.0	5.4
Cherokee	6,604	6,302	6,005	4.9	8,790	10.7	7.0
Chilton	11,741	11,293	11,111	1.6	15,050	6.8	8.3
Choctaw	3,019	2,816	3,034	-7.2	6,880	10.0	14.1
Clarke	8,970	8,742	8,931	-2.1	11,300	6.4	7.3
Clay	3,046	3,110	2,708	14.8	6,730	5.2	5.6
Cleburne	2,543	2,518	2,384	5.6	5,590	5.8	7.8
Coffee	17,847	16,352	15,892	2.9	18,800	7.3	7.7
Colbert	32,847	30,767	30,471	1.0	24,200	6.9	7.1
Conecuh	2,355	2,491	2,839	-12.3	5,600	6.9	7.0
Coosa	1,099	1,377	1,305	5.5	5,020	5.2	5.3
Covington	14,852	15,038	14,865	1.2	17,070	6.1	6.3
Crenshaw	3,279	3,563	3,428	3.9	6,810	7.3	6.9
Cullman	28,624	27,705	27,020	2.5	33,110	5.3	6.1
Dale	13,100	13,088	11,872	10.2	18,630	6.8	7.7
Dallas	17,814	17,658	17,456	1.2	20,280	8.7	10.2
De Kalb	19,900	19,620	18,316	7.1	30,620	6.4	6.5
Elmore	14,116	13,901	13,326	4.3	22,540	5.7	5.6
Escambia	11,582	11,439	11,528	-0.8	15,610	6.8	8.3
Etowah	44,285	45,102	45,438	-0.7	42,910	9.2	9.7
Fayette	5,339	5,478	4,748	15.4	7,830	8.8	10.6
Franklin	9,912	9,158	9,336	-1.9	14,430	6.9	7.4
Geneva	5,263	4,953	5,031	-1.6	11,480	4.9	5.1
Greene	2,024	1,975	2,106	-6.2	3,840	11.8	10.1
Hale	3,208	2,860	2,871	-0.4	6,090	6.3	7.4
Henry	3,321	3,102	3,607	-14.0	7,300	5.4	5.5
Houston	53,293	56,055	54,605	2.7	41,390	4.3	4.4
Jackson	16,132	15,626	15,898	-1.7	20,800	8.5	8.9
Jefferson	389,597	392,267	387,295	1.3	332,860	4.6	5.0
Lamar	3,459	3,040	3,324	-8.5	8,130	5.7	6.4
Lauderdale	39,535	39,306	40,855	-3.8	37,780	5.4	5.6
Lawrence	5,914	5,889	6,155	-4.3	12,740	7.7	8.5
Lee	39,100	39,105	37,623	3.9	42,310	7.0	4.5
Limestone	19,158	20,214	18,915	6.9	30,570	4.9	5.7
Lowndes	1,976	2,165	1,917	12.9	5,580	12.0	13.8
Macon	6,263	5,820	5,331	9.2	10,200	6.9	6.9
Madison	132,658	128,067	126,432	1.3	134,600	4.0	4.5
Marengo	8,487	8,551	7,900	8.2	9,830	5.9	7.4
Marion	13,006	12,996	10,518	23.6	14,890	9.8	11.2
Marshall	40,507	39,123	39,894	-1.9	38,700	6.1	6.3
Mobile	173,563	183,065	173,183	5.7	170,930	6.4	7.2
Monroe	8,674	8,335	8,353	-0.2	10,740	8.7	8.8
Montgomery	137,791	139,879	137,913	1.4	102,010	6.0	5.8
Morgan	50,078	49,220	50,193	-1.9	48,500	5.6	6.2
Perry	1,915	2,161	2,085	3.6	5,570	7.4	6.3
Pickens	4,386	4,462	4,530	-1.5	7,400	8.9	8.5
Pike	11,324	11,546	11,635	-0.8	13,210	6.5	5.1
Randolph	6,498	6,332	6,223	1.8	8,890	7.5	6.7
Russell	12,106	13,254	13,953	-5.0	22,480	6.5	6.7
St. Clair	13,376	16,301	13,753	18.5	22,140	5.5	5.4
Shelby	41,153	40,433	39,657	2.0	43,220	3.2	3.4
Sumter	3,475	3,363	3,089	8.9	6,050	7.0	7.6
Talladega	35,407	31,453	29,688	5.9	31,770	8.2	8.6
Tallapoosa	12,433	11,906	11,616	2.5	18,730	5.6	5.0
Tuscaloosa	74,183	70,730	63,028	12.2	74,410	4.9	4.3
Walker	33,152	34,868	32,901	6.0	28,590	7.8	8.3
Washington	2,159	1,864	2,446	-23.8	6,510	8.6	10.5
Wilcox	2,038	1,956	2,177	-10.2	4,070	9.9	12.5
Winston	8,526	8,180	7,790	5.0	10,690	8.8	9.2

SELECTED ECONOMIC INDICATORS

	May 1990	Apr 1990	May 1989	Percent Change May 90-May 89	Annual 1988	Annual 1989
Prices						
Consumer Price Index, U.S.						
All Items (1982-84 = 100)	129.2	128.9	123.8	4.4	118.3	124.0
Producer Price Index, U.S.						
All commodities (1982 = 100)	114.5	114.0	113.2	1.1	106.9	112.2
Consumer Purchasing Power						
of the Dollar	0.77	0.78	0.81	-4.2	0.85	0.81
Alabama Employment						
Total Employment (1,000)	1,803.1	1,786.3	1,779.5	1.3	1,738.0	1,773.0
Nonagricultural	1,606.5	1,601.2	1,593.6	0.8	1,558.7	1,588.3
Manufacturing	381.1	382.4	384.8	-1.0	380.6	383.8
Durable goods	187.3	187.3	188.1	-0.4	184.0	187.5
Nondurable goods	193.8	195.1	196.7	-1.5	196.6	196.3
Nonmanufacturing	1,225.4	1,218.8	1,208.8	1.4	1,178.1	1,204.5
Mining and quarrying	11.9	11.8	11.6	2.6	11.2	11.3
Contract construction	77.8	77.1	76.8	1.3	78.0	75.9
Trans, comm., and utilities	80.3	79.8	80.0	0.4	79.5	80.1
Wholesale trade	84.6	84.4	84.0	0.7	80.9	84.2
Retail trade	263.3	262.4	264.0	-0.3	258.8	264.9
Finance, insurance, real estate	71.4	71.3	70.8	0.8	70.3	70.9
Services and miscellaneous	307.9	307.6	302.7	1.7	289.8	302.4
Federal government	69.1	66.6	64.6	7.0	66.0	64.9
State and local government	259.1	257.8	254.3	1.9	243.5	249.8
Other Alabama Indicators						
Bituminous coal						
production (1,000 net tons)	2,401	2,313	2,575	-6.8	26,055	26,574
Natural gas production (mil cu ft)	16,299	15,477	15,937	2.3	176,008	181,285
Crude oil and condensate						
production (1,000 barrels)	1,622	1,558	1,734	-6.5	20,597	19,622
Cotton consumption (1,000 lbs)	53,061	46,851	49,634	6.9	482,002	546,490
Pulp, paper, and paperboard						
production (1,000 net tons)	552	572	574	-3.8	6,977	7,027
Shipments by water,						
Port of Mobile (1,000 tons)	3,498	3,068	3,752	-6.8	32,684	36,575
New passenger car registrations*	9,683	9,828	8,082	19.8	133,614	116,117

	May 1990	Apr 1990	Apr 1989	Percent Change Apr 90-Apr 89	Annual 1988	Annual 1989
Alabama Taxable Retail Sales						
($1,000,000)						
Food	321	375	351	6.9	4,128	4,211
General merchandise	281	266	257	3.4	3,047	3,097
Apparel	70	77	70	10.3	933	932
Furniture, furnishings, etc.	84	80	79	1.4	1,035	1,026
Automotive	387	364	361	0.7	4,233	4,226
Gasoline service stations	30	26	25	3.9	294	308
Lumber and building materials	164	159	148	7.4	1,713	1,541
Hardware and farm implements	21	19	20	-5.5	234	236
Eating and drinking places	180	178	170	4.5	1,915	2,032
Drug stores	33	34	36	-4.0	418	410
Miscellaneous retail	134	128	125	2.8	1,641	1,686
Nonretail & unclassified	304	305	284	7.4	3,414	3,732
Total, all sales at retail	2,008	2,011	1,926	4.4	23,006	23,536

Notes and Sources: Civilian labor force, unemployment, and total employment are adjusted by place of residence, and total nonagricultural employment and its components are by place of work. All monthly data are adjusted to a March benchmark of the previous year. Shipments by water include both inbound and outbound shipments moving through private facilities as well as through the Alabama State Docks; excludes tonnage for military installations. Retail sales data represent sales at retail which are subject to sales tax as reported to the Alabama Department of Revenue under the definition of the Alabama Sales Tax Law. Total sales figures include taxable sales at retail by wholesalers and other nonretail firms as well as retail concerns. Sales at retail thus defined should not be confused with all sales (including nonretail sales) by retail concerns as reported in the Census of Retail Trade. Monthly sales figures are preliminary and subject to revision on a continuing basis. Sales figures for the two latest months are normally low because of late reporters. MSA and county level sales are estimated for multi-county firms using the 1985 disaggregation survey conducted by the Alabama Department of Revenue. Data estimates, thus, may not reflect current disaggregations for these firms. *Data on new passenger car registrations may not be reused in any manner without the express permission of R.L. Polk and Company.

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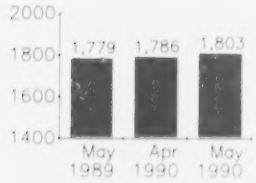
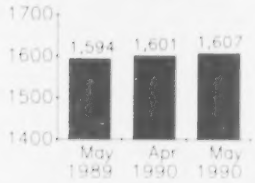
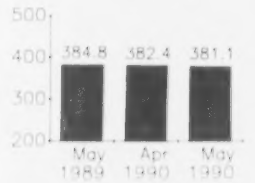
TOTAL EMPLOYMENT
(Thousands)



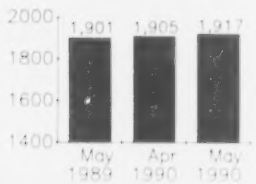
NONAGRICULTURAL EMPLOYMENT
(Thousands)



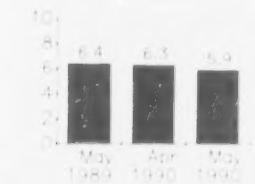
MANUFACTURING EMPLOYMENT
(Thousands)



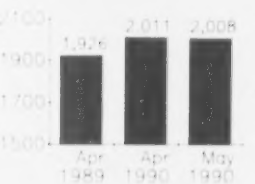
CIVILIAN LABOR FORCE
(Thousands)



UNEMPLOYMENT RATE
(Percent)



TOTAL RETAIL SALES
($ Millions)



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